

**INDEPENDENT AUDITOR'S REPORT
ON THE GENERAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

To the Honorable Board of Mayor and Aldermen
City of Manchester, New Hampshire

We have audited the accompanying general purpose financial statements of the City of Manchester, New Hampshire ("the City") as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the Manchester School District, the Manchester Transit Authority and the City of Manchester Employees' Contributory Retirement System, component units of the City, which financial statements reflect governmental, proprietary and fiduciary fund types with total assets of \$33,496,342, \$4,706,780 and \$93,526,828, respectively, and total revenues/additions of \$117,013,672, \$3,885,268 and \$4,397,344, respectively. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion on the general purpose financial statements, insofar as it relates to amounts included for the Manchester School District, the Manchester Transit Authority and the City of Manchester Employees' Contributory Retirement System, component units of the City, is based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the reports of other auditors, provide a reasonable basis for our opinion.

In our opinion, based on our report and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Manchester, New Hampshire as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types, nonexpendable trust funds and discretely presented component units for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards," we have also issued our report dated October 19, 2001 on our consideration of the City of Manchester, New Hampshire's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be read in conjunction with this report in considering the results of our audit.

The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Manchester, New Hampshire. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

The other data included in this comprehensive annual financial report, designated as "statistical section" in the table of contents, has not been audited by us and, accordingly, we express no opinion on it.

McGladrey & Pullen, LLP

New Haven, Connecticut
October 19, 2001